

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:579

ANSWERED ON:24.11.2006

PRIVATISATION OF POWER DISTRIBUTION SYSTEM

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Will the Minister of POWER be pleased to state:

- (a) the quality improvements witnessed and recorded by privatization of power distribution in the country;
- (b) whether there is any proposal under the consideration of the Government regarding reworking of the electricity distribution model and to bring in competition among the existing players as provided under the law;
- (c) if so, whether the Government proposes to provide consumers more choice to avail of quality service from one of many power distribution companies operating in the areas and true value of his expenses on power consumption; and
- (d) if so, the details thereof?

Answer

THE MINISTER OF THE STATE IN THE MINISTRY OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) : Distribution of electricity has been privatized in NCT of Delhi and Orissa. Under the Electricity Act, State Electricity Regulatory Commissions (SERC) have been entrusted the function of specifying and enforcing standards with respect to quality, continuity and reliability of services by licenses.

The Delhi Electricity Regulatory Commission (DERC) has informed that the Aggregate Technical and Commercial Losses (AT&C) have come down from 50% in 2002 (when the distribution was privatised) to about 35% in March, 2006 and the distribution companies have achieved the targets for loss reduction. Load shedding has reduced from 558 million units in 2001-02 to about 176 million units in 2004-05. Distribution Transformer failure rate has reduced from 15% in 2002 to less than 1% in 2005.

The Orissa Electricity Regulatory Commission (OERC) has informed that all the Discoms have achieved the over all standard of performance fixed by OERC during financial year 2004-05 in respect of rectification of fuse-off calls and restoration of line break down both in urban and rural areas.

As per available information, as in October, 2006, there have been no notified power cuts on industry and agricultural consumers are being given 20 hrs supply in Orissa.

(b) to (d) : The Electricity Act, 2003 has put in place open access in transmission from the outset. The Central Electricity Regulatory Commission has already issued the regulations on open access in inter-state transmission. This provision has created an all India market for electricity. The Act provides for phased introduction of open access in distribution by the State Electricity Regulatory Commissions (SERCs). It provides that the SERC shall, not later than 27th January, 2009, by regulations, provide such open access to all consumers who require a supply of electricity where the maximum power to be made available at any time exceeds one megawatt. Such a consumer would have the option to choose his suppliers other than the distribution licensee of his area.

The Tariff Policy notified by Central Government provides that in whichever states the situation so permits, the Regulatory Commissions should introduce open access even prior to this deadline. The policy also lays down the methodology for computation of cross subsidy surcharge.

As per available information, the State Electricity Regulatory Commissions (SERC) of 19 States have issued open access regulations in distribution and 15 SERCs have also specified the method of open access surcharge. So far, 17 applications for grant of open access have been approved by the respective SERCs in 6 States.

The Electricity Act also provides for grant of license by the Appropriate Commission to two or more persons for distribution of electricity through their own distribution system within the same area, subject to the compliance with the additional requirements relating to the capital adequacy, credit-worthiness, or code of conduct prescribed by the Central Government. Central Government has already notified the additional requirements in this regard.